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The Conference Board

Government Employment and Pay: An International Survey

Economic Road Maps
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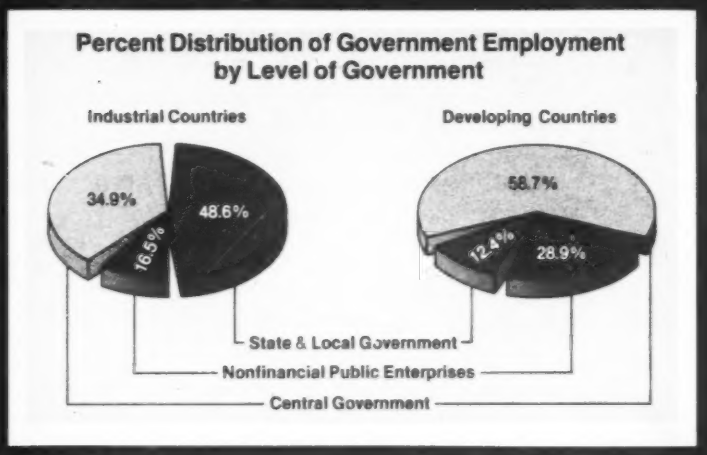
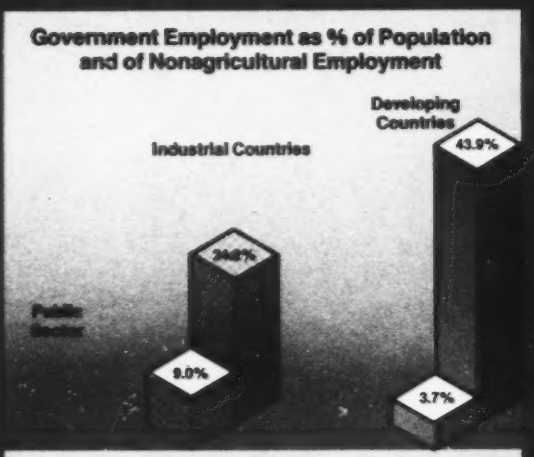
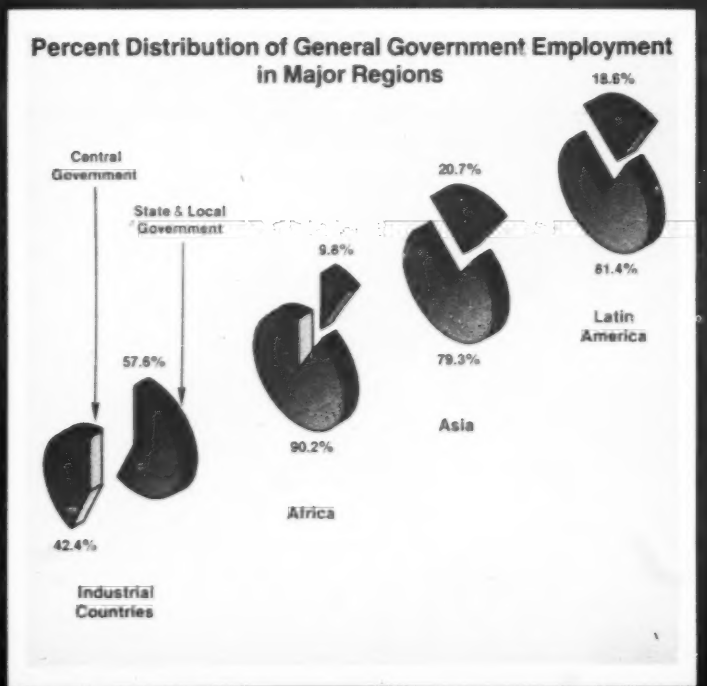
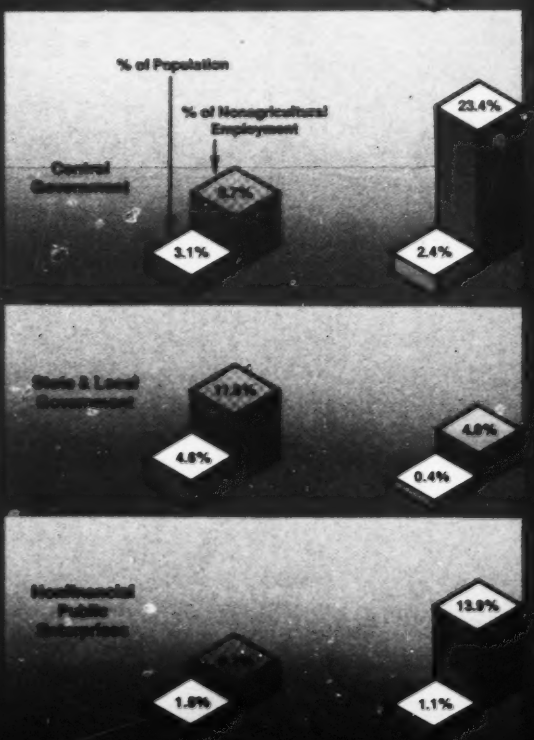
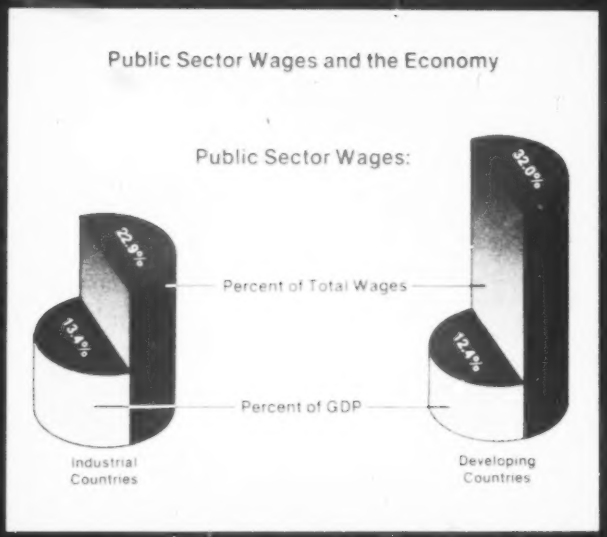
Government employment in most countries around the world has grown greatly in the last few decades. The complexity of running a modern state apparatus, as well as public demand for an ever-increasing number of services, ranging from education and health to police protection and national defense, has resulted in a burgeoning public-sector employment in many countries. The sheer size of bureaucracies—at the central as well as state and local levels—has conferred on them an increasingly important role in their nations' economies. Government wage policies in countries with significant numbers of government workers are likely to influence wages throughout the economy, the distribution of income, and the structure of output. When governments grant substantial wage increases to low-paid employees, there may be repercussions on the wage policy of the country as a whole. The way in which salaries and wages are financed may, in turn, affect the rate of inflation and, in some cases, the balance of payments.









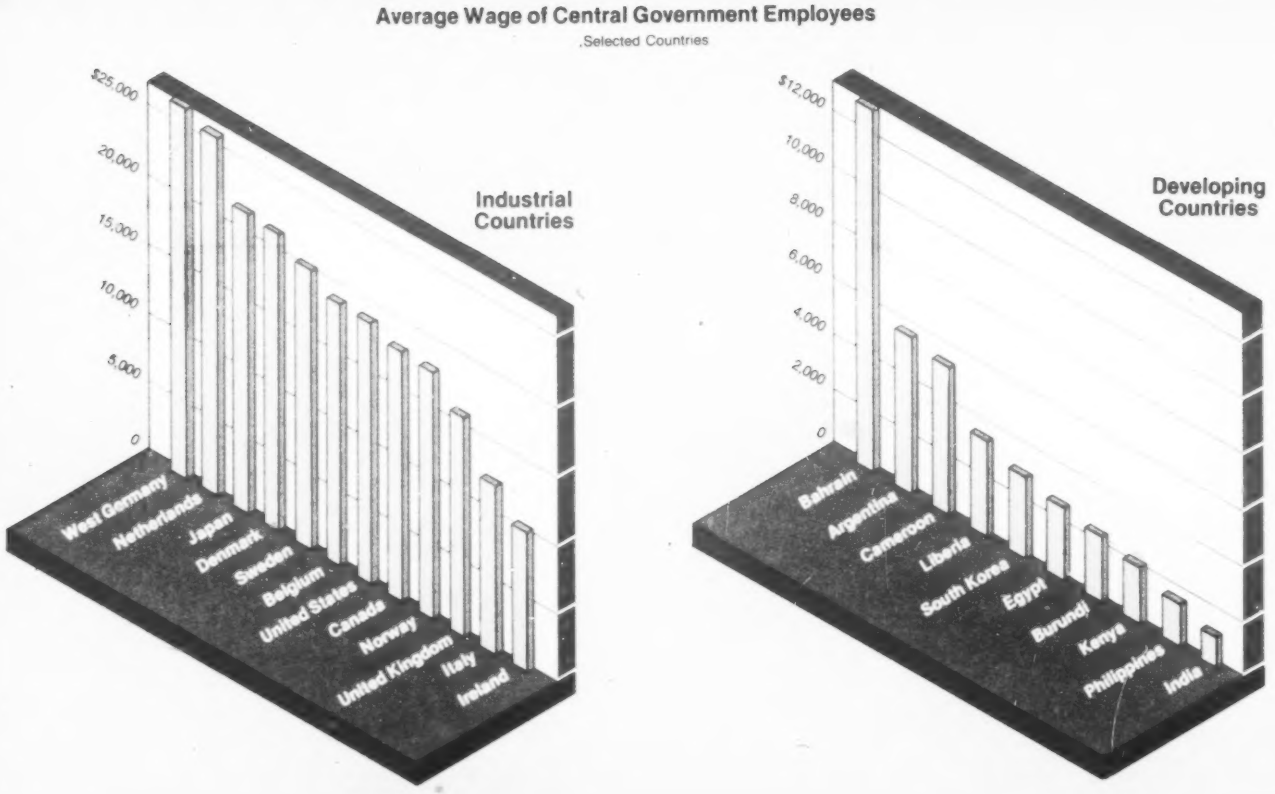


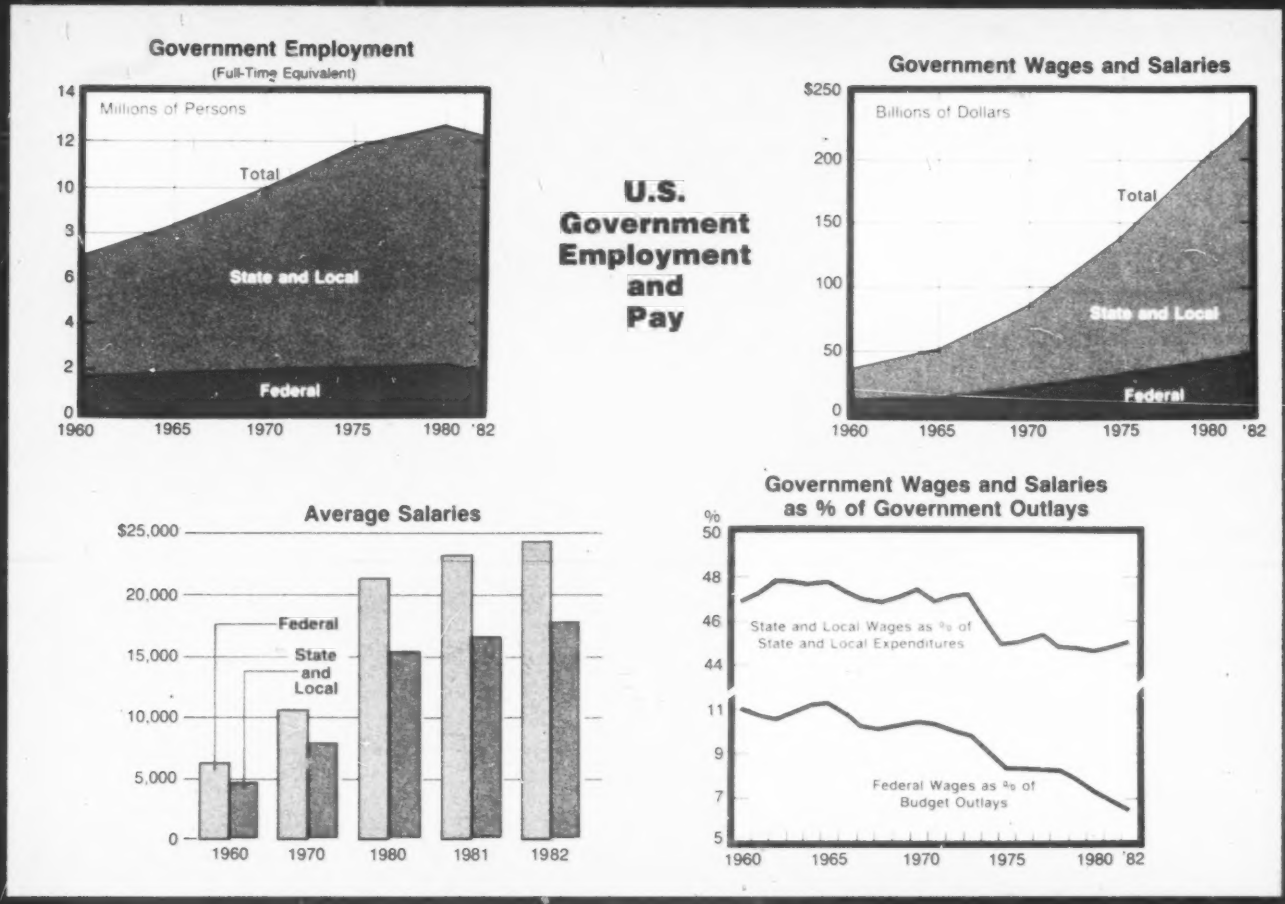
In spite of the importance of public-sector employment to the economy, information relating to government employment and pay is exceedingly scarce except for a small number of countries. The paucity of information has made international comparisons almost impossible. The International Monetary Fund (IMF) recently released a study based on data drawn from 64 developing countries and 21 countries belonging to the Organization for Economic Cooperation and Development (OECD) dealing with the size and structure of government bureaucracy and the wage bill of government employment. For each country, the data cover only one year, ranging from 1978 to 1982. The implications of the choice of year are not significant for employment, since the number of public employees does not fluctuate greatly from year to year; the implication for wages, however, may be significant.

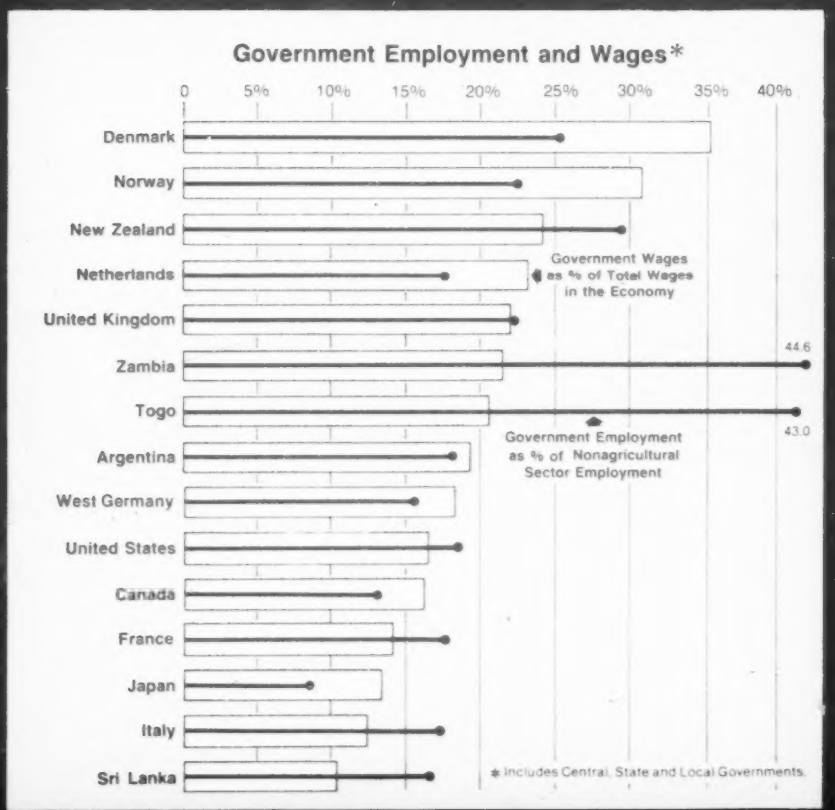
While problems inherent in cross-country comparisons are obvious—starting with the problem of defining units of government—certain patterns emerge quite clearly.

The importance and impact of the public sector on the national economy is far greater in the developing countries than it is in the industrial nations. Public-sector employment averages 44% of the nonagricultural employment in the developing world, but only about half as much in the industrial countries. Among developing countries, the share of public-sector employment in nonagricultural employment reaches as high as 87% for Benin, followed by Ghana (74%) and India (72%). In the OECD group, New Zealand has the largest government employment share at 36.5% of nonagricultural employment, followed by Sweden (33.8%), Belgium (32.8%) and the United Kingdom (30.8%). On the lower end are the United States (19.6%), Canada (16.4%) and South Korea (15.9%). According to the IMF study, public-sector wage awards affect national wage rates when government employment surpasses 20 to 25% of nonagricultural employment. Below this figure the impact is much less important.

The system of centralized government is preponderant in the developing countries, with the result that almost one-quarter of total nonagricultural employment is accounted for by the central government in these countries, as contrasted to 9% in the OECD nations. This also reflects the fact that most employment in the developing







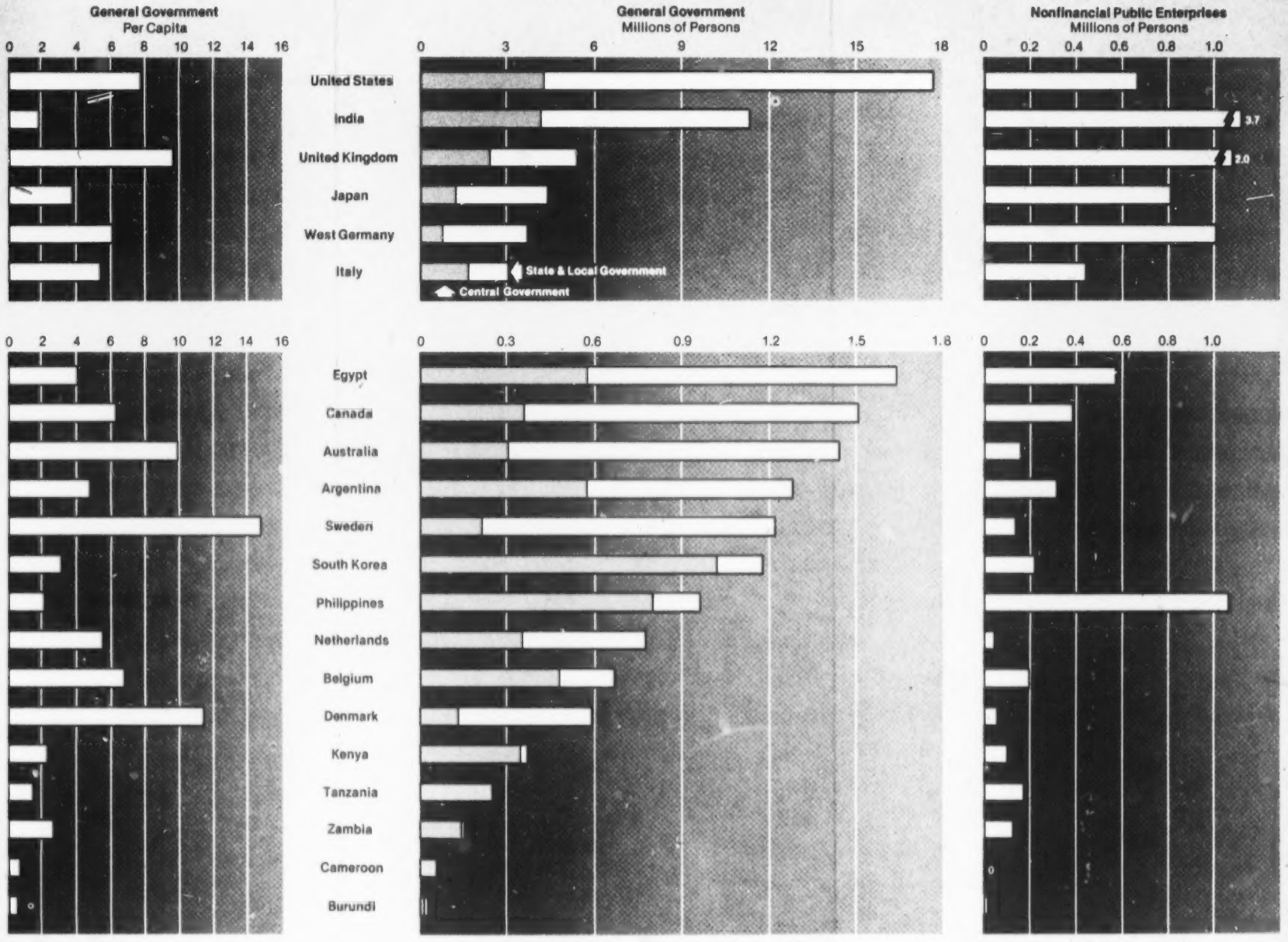
countries is in the agricultural sector, with the government absorbing a large share of a relatively small nonagricultural labor force. In the OECD countries, nonagricultural employment constitutes a majority of the labor force so that the impact of central government employment on the sector is much smaller. In federally constituted countries, such as the United States, West Germany and Canada, the impact declines even further. However, total central, state and local government employment accounts for 19% of nonagricultural employment in the OECD group, as against 26% for the developing countries. Per capita government employment, which is a rough measure of the magnitude of public service, is substantially higher in the industrial countries, averaging seven per one hundred inhabitants as opposed to three per one hundred in the developing world.

Eva Culen

Sources: International Monetary Fund; U.S. Department of Commerce; The Conference Board.

Public Sector Employment

Selected Countries



ECONOMIC ROAD MAPS

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